



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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May 10, 2002

TO: Senator Sid Snyder, Chair
Senator Dan McDonald
Representative Jack Cairnes
Representative Jeff Gombosky
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: May 10, 2002 REVENUE COLLECTION REPORT

General Fund-State collections were \$58.8 million above the forecast for the April 11-May 10 collection period. Revenue Act sources (retail sales, business and occupation, use, public utility and tobacco product taxes) accounted for most of this month's variance. Real estate excise and the estate tax along with "other" revenue (primarily unclaimed property transfers) were also higher than expected. Cumulatively, General Fund-State collections are now \$76.1 million above the estimate for the three months since the February forecast. Revenue is higher than the estimate because the economy was a little stronger than expected in the first quarter. In addition, there were some special factors this month that resulted in additional revenue for the period. The special factors included four unusually large and unexpected audit payments (a total of \$26.4 million) and a one-time transfers of unclaimed property revenue to the General Fund (\$5.3 million). Excluding these special factors, revenue exceeded the estimate by \$27.1 million for the month and by \$44.4 million for the three months since the February forecast.

After increasing 1.5 percent last month, Revenue Act collections were 3.1 percent below a year-ago (adjusted for special factors) for the April 11-May 10 collection period. We were expecting a 6.2 percent decline. Revenue Act collections have now declined five of the last eight months. Collections this period primarily reflect March activity of monthly taxpayers and January-March activity of quarterly filers. For the entire first quarter, Revenue Act collections were 2.3 percent below the year-ago level. This is similar to the declines in the third and fourth quarters of 2001. Despite higher than expected revenue the economy remains relatively weak, just not quite as weak as assumed in the February forecast. Nationally, real Gross Domestic Product (GDP) rose at a 5.8 percent annual rate in the first quarter of 20002, however, most of the increase was due to the rebuilding of inventories. Final sales in the first quarter grew slower than in the fourth quarter of 2001. The February forecast had expected an increase of only 0.2 percent increase in real GDP in the first quarter. In addition, the economy continued to lose jobs. Wage and Salary employment declined 134,000 in

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the first quarter. Washington's employment also declined in the first quarter, although the decline was not as much as expected. Preliminary data indicate state employment fell 0.7 percent at an annual rate; the forecast expected a 1.4 percent decline.

Preliminary data on taxes paid during the April 11- May 10 collection period indicates continued weakness pretty much across-the-board. Tax payment for most major sectors were flat or down compared the year-ago period. The retail trade sector had been doing a little better than non-retailing sectors due to strong auto sales. With auto manufacturers offering fewer incentives in March, this was not the case this month. Taxes paid by auto dealers were below the year-ago level for the first time since September, pulling down the overall growth of the sector. Within retailing, only food stores and furniture and appliance stores reported an increase in tax payments this month. Most non-retailing sectors again reported declines in tax payments. Exceptions this month were the manufacturing and transportation, communications and utilities sectors.

Non-Revenue Act General Fund taxes collected by the Department of Revenue were \$8.7 million above the forecast in April. Higher than expected real estate excise, estate tax and "other" receipts more than offset weaker than expected cigarette and property tax collections for the month. Cumulatively, for the three months since the February forecast, Non Revenue Act sources are \$18.5 million more than expected, mostly due to higher than expected property and real estate excise, estate tax as well as "other" revenue. The higher than expected "other" revenue category is primarily due to more than expected unclaimed property transfers this month. Unclaimed property is higher due to a special factor. This month there was a \$5.3 million one-time transfer of unclaimed property revenue to the General Fund due to an accounting adjustment. Excluding this special factor, Non Revenue act sources would be \$3.4 million higher than expected for the month and \$13.2 million higher than the estimate for the three months since the February forecast.

Real estate activity declined in March after a relatively strong February. Real estate activity based on closing reported by counties in March (reflecting payments to the state in April) was down 20.2 percent statewide. Declines this month were pretty much across-the-board, with the three largest Puget Sound counties (King, Snohomish and Pierce) reporting a 20.0 percent decline, while the rest -of-the-state reported a 20.7 percent decline. Activity last month increased 14.4 percent. For calendar 2002 to date, real estate activity is 4.7 percent below the year-ago level statewide. The number of transactions were 0.7 percent below the year-ago level in March but are 7.4 percent higher for the year-to-date. The average price per transactions continues to fall. In March it was down 19.7 percent from the year-ago level. It has now been below the year-ago level for nine consecutive months.

Department of Licensing General Fund collections were \$112,000 less than anticipated in April. Cumulative their General Fund collections are only \$18,000 less than expected. The attached Table 1 provides a comparison of collections with the February forecast for the April 11-May 10, 2002 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg
Attachments

TABLE 1
Revenue Collection Report
May 10, 2002 Collections Compared to the February 2002 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
April 11 - May 10, 2002				
Department of Revenue-Total	\$827,765	\$886,661	\$58,895	7.1%
Revenue Act** (1)	714,152	764,301	50,149	7.0%
Non-Revenue Act(2)	113,613	122,360	8,747	7.7%
Liquor Sales/Liter	7,416	7,190	(226)	-3.0%
Cigarette	4,172	4,564	392	9.4%
Property (State School Levy)	51,583	49,913	(1,669)	-3.2%
Estate	7,885	13,088	5,202	66.0%
Real Estate Excise	31,712	33,529	1,816	5.7%
Timber (state share)	0	0	0	NA
Other	10,844	14,076	3,231	29.8%
Department of Licensing (2)	2,915	2,803	(112)	-3.8%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$830,680	\$889,464	\$58,784	7.1%
Cumulative Variance Since the February 2002 Forecast (February 11 - May 10, 2002)				
Department of Revenue-Total	\$2,064,298	2,140,411	76,113	3.7%
Revenue Act** (3)	1,831,039	1,888,670	57,631	3.1%
Non-Revenue Act(4)	233,258	251,741	18,482	7.9%
Liquor Sales/Liter	20,040	20,266	225	1.1%
Cigarette	14,478	14,140	(338)	-2.3%
Property (State School Levy)	69,783	71,978	2,194	3.1%
Estate	27,099	33,424	6,325	23.3%
Real Estate Excise	78,988	83,867	4,879	6.2%
Timber (state share)	1,937	2,173	237	NA
Other	20,933	25,892	4,959	23.7%
Department of Licensing (4)	4,081	4,064	(18)	-0.4%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$2,068,379	\$2,144,474	\$76,095	3.7%

1 Collections April 11 - May 10, 2002. Collections primarily reflect March 2002 activity of monthly taxpayers.

2 April 1-30, 2002 collections.

3 Cumulative collections, estimates and variance since the February 2002 forecast; (February 11-May 10, 2002) and revisions to history.

4 Cumulative collections, estimates and variance since the February 200 forecast;(February - April 2002) and revisions to history.)

* Based on the February economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
April 10, 2002 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
March 11 - April 10, 2002				
Department of Revenue-Total	\$627,436	\$627,436	\$0	0.0%
Revenue Act (1)	567,658	567,658	0	0.0%
Non-Revenue Act(2)	59,778	59,778	0	0.0%
Liquor Sales/Liter	6,555	6,555	0	0.0%
Cigarette	3,714	3,714	0	0.0%
Property (State School Levy)-net	16,753	16,753	0	0.0%
Property tax collections	16,753	16,753	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	6,701	6,701	(0)	-0.0%
Real Estate Excise	25,128	25,128	0	0.0%
Timber (state share)	0	0	0	NA
Other	927	927	(0)	-0.1%
Department of Licensing (2)	771	735	(36)	-4.7%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$628,207	\$628,171	(\$36)	-0.0%

Cumulative Receipts: February 11 - April 10, 2002 & Revisions to History

Department of Revenue-Total	1,253,750	\$1,253,750	\$0	0.0%
Revenue Act (3)	1,124,369	1,124,369	0	0.0%
Non-Revenue Act(4)	129,381	129,381	(0)	-0.0%
Liquor Sales/Liter	13,076	13,076	(0)	-0.0%
Cigarette	9,577	9,577	(0)	-0.0%
Property (State School Levy)-net after transfer	22,065	22,065	(0)	-0.0%
Property tax collections	22,065	22,065	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	20,336	20,336	(0)	-0.0%
Real Estate Excise	50,336	50,338	2	0.0%
Timber (state share)	2,173	2,173	0	NA
Other	11,817	11,817	(0)	-0.0%
Department of Licensing (4)	1,297	1,260	(37)	-2.8%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$1,255,047	\$1,255,010	(\$37)	-0.0%

P-Preliminary. Reported in the April 10, 2002 collection report.

R Revised data.

1 Collections March 11 - April 10, 2002. Collections primarily reflect February 2002 business activity of monthly taxpayers.

2 March 1-31, 2002 collections.

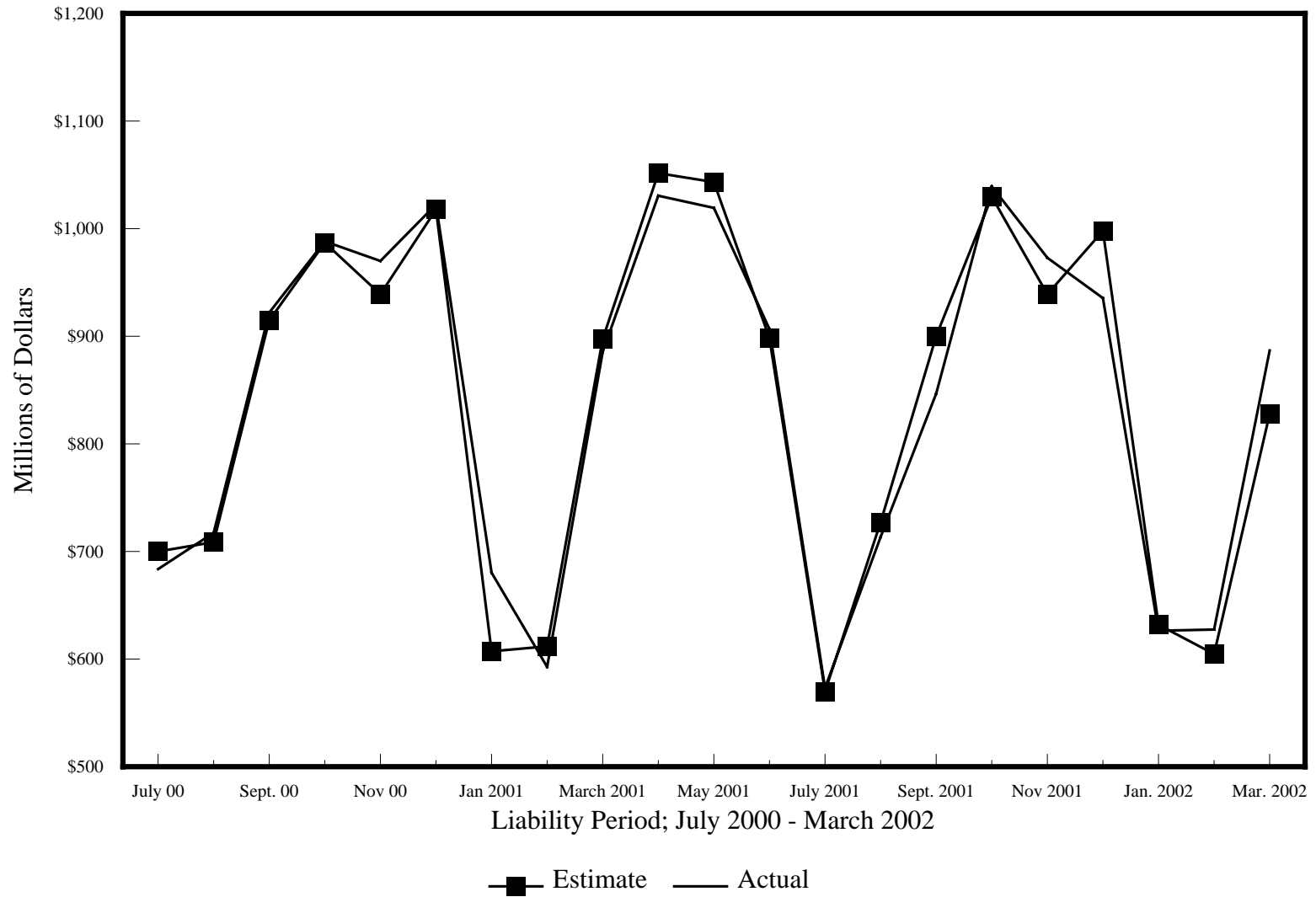
3 Cumulative variance for since the February 2002 forecast: February 11 - April 10, 2002 & revisions to history.

4 Cumulative variance: since the February 2002 forecast (February 2002 & March 2001) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

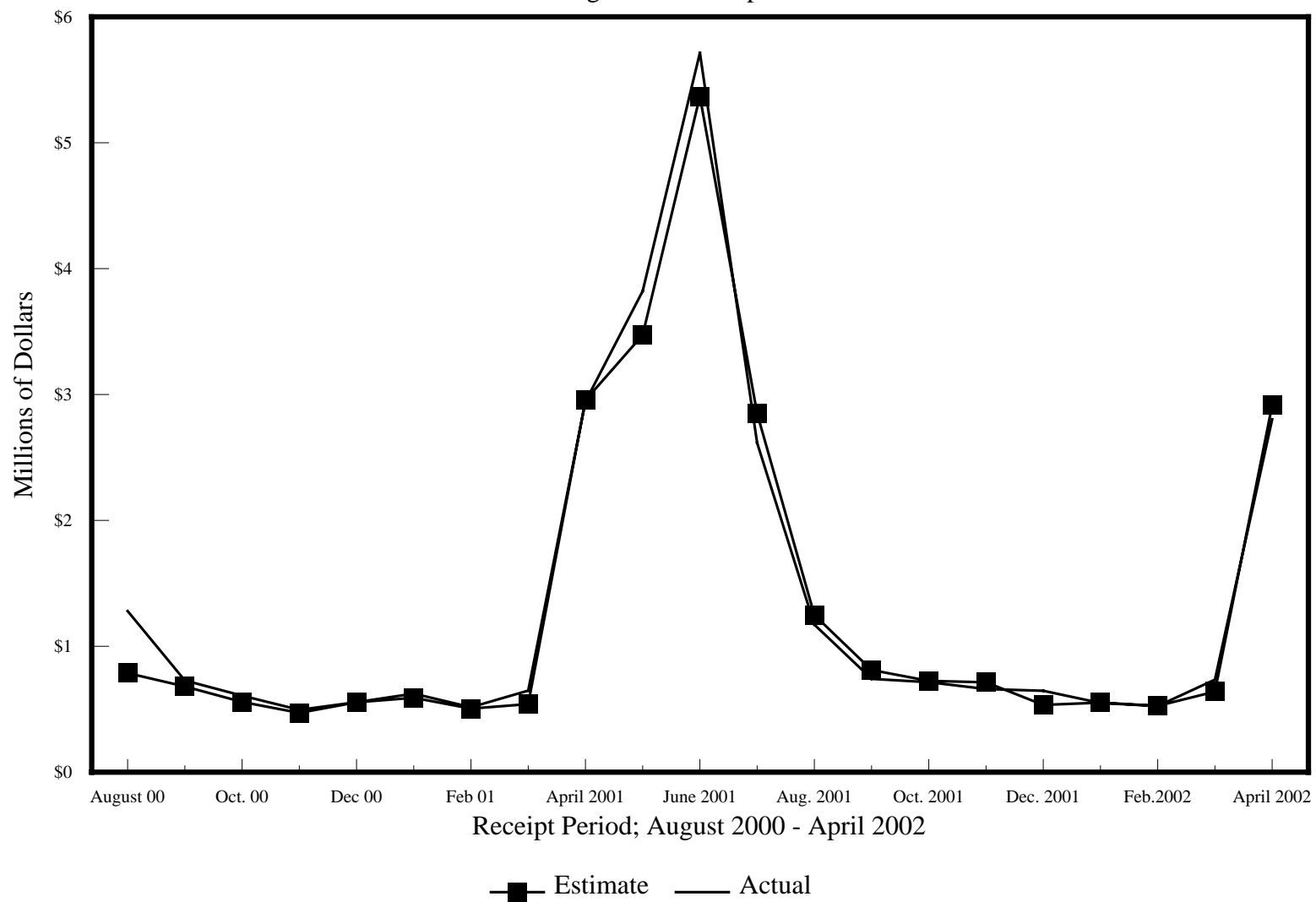
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to March 2002



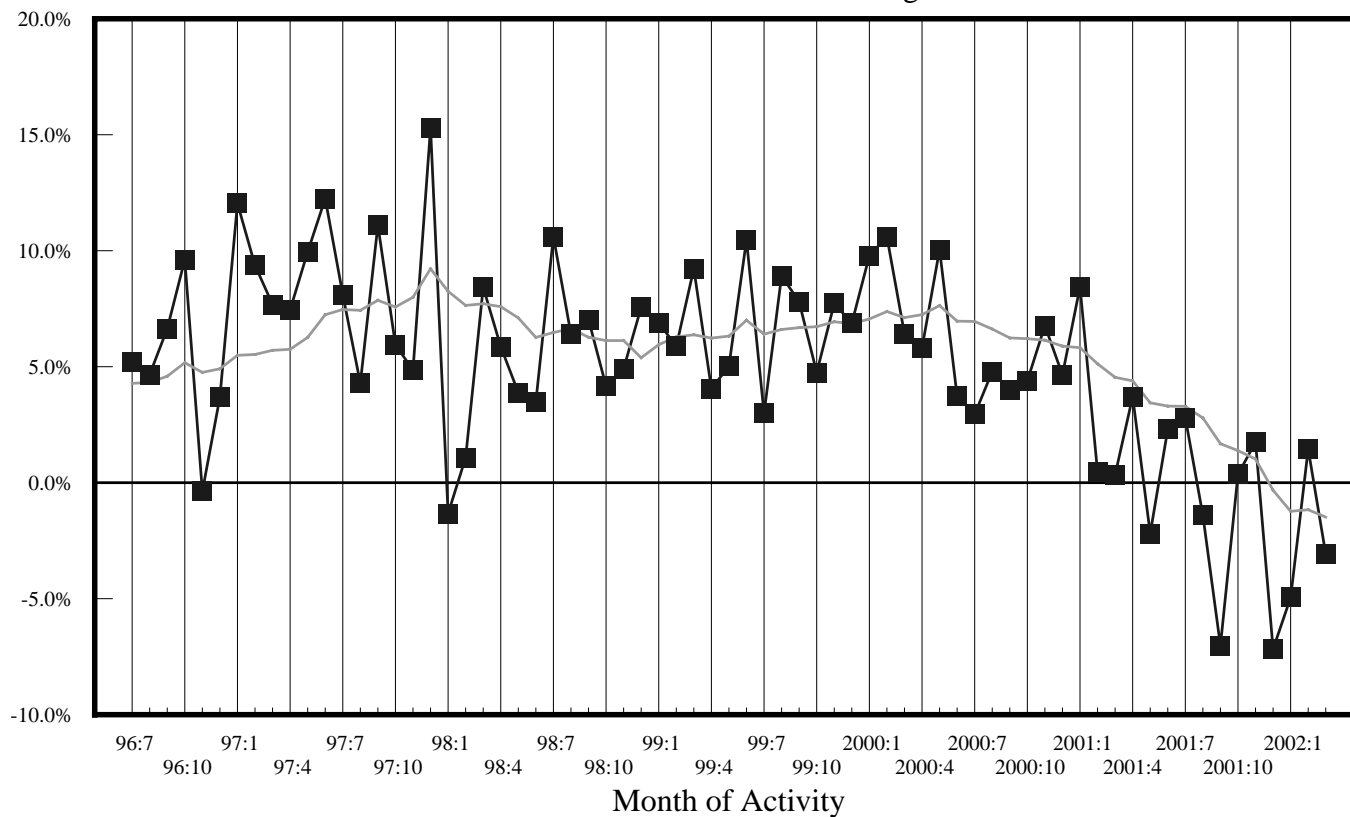
Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to April 2002



Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*- adjusted for special factors, primarily large assessment payments or credits/refunds.